

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

February 20, 2003

Mr. Craig G. DeKany, Reimbursement Manager
HCR - Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

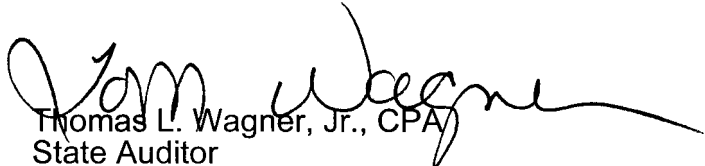
Re: AC# 3-MCC-J9 – Manor Care of Columbia

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**MANOR CARE OF COLUMBIA
COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MCC-J9**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 28, 2003

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Manor Care of Columbia, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Manor Care of Columbia is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

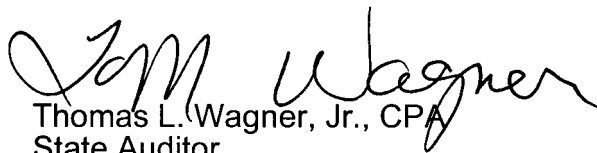
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Manor Care of Columbia, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Manor Care of Columbia dated as of November 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 28, 2003

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

MANOR CARE OF COLUMBIA
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MCC-J9

10/01/00-
09/30/01

Interim Reimbursement Rate (1)	\$99.89
Adjusted Reimbursement Rate	<u>98.16</u>
Decrease in Reimbursement Rate	\$ <u><u>1.73</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

MANOR CARE OF COLUMBIA

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-MCC-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$46.17	\$50.24	
Dietary		8.53	10.12	
Laundry/Housekeeping/Maintenance		<u>6.40</u>	<u>8.88</u>	
Subtotal	<u>\$4.85</u>	61.10	69.24	\$ 61.10
Administration & Medical Records	<u>\$ -</u>	<u>18.15</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		79.25	<u>\$79.79</u>	71.65
<u>Costs Not Subject to Standards:</u>				
Utilities		2.40		2.40
Special Services		.05		.05
Medical Supplies & Oxygen		4.64		4.64
Taxes and Insurance		.85		.85
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$87.19</u>		79.59
Inflation Factor (3.20%)				2.55
Cost of Capital				12.80
Cost of Capital Limitation				(3.90)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.85
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.10)
Nurse Aide Staffing Add-On 10/01/99				2.22
Nurse Aide Staffing Add-On 10/01/00				<u>3.15</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$98.16</u>

MANOR CARE OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MCC-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,165,648	\$ 44,059 (4) 1,705 (4)	\$ 71,211 (6) 4,785 (6)	\$2,135,416
Dietary	394,756	7,834 (4)	8,084 (6)	394,506
Laundry	56,158	3,958 (4)	1,164 (6)	58,952
Housekeeping	132,978	1,172 (4) 2,280 (8)	4,280 (6) 3,007 (9)	129,143
Maintenance	103,933	5,962 (4) 1,725 (8)	1,361 (6) 2,430 (9)	107,829
Administration & Medical Records	843,989	6,045 (2) 2,613 (8)	8,318 (6) 1,669 (6) 3,327 (9)	839,333
Utilities	111,275	368 (4) 1,842 (8)	2,496 (9)	110,989
Special Services	2,154	1,373 (6)	1,347 (10)	2,180
Medical Supplies & Oxygen	284,520	7,714 (4)	438 (6) 77,206 (10)	214,590
Taxes and Insurance	52,047	804 (8)	12,750 (5) 822 (9)	39,279
Legal Fees	-	-	-	-

MANOR CARE OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MCC-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	377,887	69,225 (3) 5,706 (8) <u>166,242 (11)</u>	10,253 (1) 6,045 (2) <u>6,081 (9)</u>	596,681
Subtotal	4,525,345	330,627	227,074	4,628,898
Ancillary	237,262	-	855 (7)	236,407
Non-Allowable	567,448	10,253 (1) 12,750 (5) 99,937 (6) 855 (7) 18,163 (9) <u>78,553 (10)</u>	69,225 (3) 14,970 (8) 166,242 (11)	537,522
Total Operating Expenses	<u>\$5,330,055</u>	<u>\$551,138</u>	<u>\$478,366</u>	<u>\$5,402,827</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>	Cost of Capital Patient Days		<u>46,603</u>

MANOR CARE OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MCC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 716,430	
	Other Equity	21,408	
	Nonallowable	10,253	
	Accumulated Depreciation		\$ 737,838
	Cost of Capital		10,253
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	6,045	
	Cost of Capital		6,045
	To reclassify expense to the proper cost center HIM-15-1, Section 2132.1		
3	Cost of Capital	69,225	
	Nonallowable		69,225
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nursing	44,059	
	Restorative	1,705	
	Dietary	7,834	
	Laundry	3,958	
	Housekeeping	1,172	
	Maintenance	5,962	
	Utilities	368	
	Medical Supplies	7,714	
	Accounts Payable		72,772
	To properly charge expense applicable to the current period HIM-15-1, Section 2302.1		
5	Nonallowable	12,750	
	Taxes and Insurance		12,750
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MANOR CARE OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MCC-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Special Services	1,373	
	Nonallowable	99,937	
	Nursing		71,211
	Restorative		4,785
	Dietary		8,084
	Laundry		1,164
	Housekeeping		4,280
	Maintenance		1,361
	Administration		8,318
	Medical Records		1,669
	Medical Supplies		438
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nonallowable	855	
	Ancillary		855
	To reclassify expense to the proper cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Housekeeping	2,280	
	Maintenance	1,725	
	Administration	2,613	
	Utilities	1,842	
	Taxes and Insurance	804	
	Cost of Capital	5,706	
	Nonallowable		14,970
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

MANOR CARE OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MCC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	18,163	
	Housekeeping		3,007
	Maintenance		2,430
	Administration		3,327
	Utilities		2,496
	Taxes and Insurance		822
	Cost of Capital		6,081
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	78,553	
	Medical Supplies		77,206
	Special Services		1,347
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Cost of Capital	166,242	
	Nonallowable		166,242
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,288,976</u>	<u>\$1,288,976</u>

Due to the nature of compliance reporting,
adjustment descriptions and references
contained in the preceding Adjustment
Report are provided for general guidance
only and are not intended to be all-
inclusive.

MANOR CARE OF COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MCC-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>119</u>	<u>14</u>	
Deemed Asset Value	4,303,635	506,310	
Improvements Since 1981	3,604,144	8,970	
Accumulated Depreciation at 9/30/99	<u>(2,911,003)</u>	<u>(55,829)</u>	
Deemed Depreciated Value	4,996,776	459,451	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	299,807	27,567	
Return Applicable to Non-Reimbursable Cost Centers	(6,148)	(566)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>270</u>	<u>32</u>	
Allowable Annual Return	293,929	27,033	
Depreciation Expense	264,204	23,610	
Amortization Expense	134	43	
Capital Related Income Offsets	(5,539)	(652)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(5,577)</u>	<u>(504)</u>	<u>Total</u>
Allowable Cost of Capital Expense	547,151	49,530	\$596,681
Total Patient Days (Minimum 96% Occupancy)	<u>41,698</u>	<u>4,905</u>	<u>46,603</u>
Cost of Capital Per Diem	\$ <u>13.12</u>	\$ <u>10.10</u>	\$ <u>12.80</u>

MANOR CARE OF COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MCC-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.77	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>8.76</u>	\$ <u>10.10</u>
Reimbursable Cost of Capital Per Diem		\$ 8.90
Cost of Capital Per Diem		<u>12.80</u>
Cost of Capital Per Diem Limitation		\$ <u>(3.90)</u>

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